

Q3 2024 Pre-Announcement Aide Memoire

Issued: Thursday 10 October 2024



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Please read the assumptions and cautionary statements regarding forward-looking statements set out on page 317 of the Annual Report 2023 and "Guidance and outlooks, assumptions and cautionary statements" on page 62 of the Q2 2024 results release. Please read the definitions and reconciliations for non-IFRS measures on pages 20, 21, 23, 24, 60 and 61 of the Q2 2024 results release and the annual report on Form 20-F for FY 2023.

Full-year 2024 guidance

Commentary from Q2 2024 stock-exchange announcement (page 2)

GSK revises its full-year guidance at constant exchange rates (CER). All guidance, expectations and full-year growth rates exclude any contributions from COVID-19 solutions.

- **Turnover** is expected to increase between 7% to 9%.
- **Core operating profit** is expected to increase between 11% to 13%.
- **Core earnings per share** is expected to increase between 10% to 12%.

Key information for Q3 2024

Foreign exchange (FX)

We expect that the negative impact of FX on Q3 2024 sales will be around -4%. As a result of the mix of currency movements relative to the combination of costs, we expect that the negative impact of FX on Q3 2024 sterling Core operating profit will be more significant than the negative impact on sales.

Weighted average number of shares (WANS)

The basic WANS in Q3 2024 was 4,081m (an increase of 0.6% relative to 4,055m in Q3 2023).

The information below includes commentary from recent circulars, stock-exchange announcements, investor/analyst calls, and previously published outlook statements.

2024 COVID-19 solutions expectations

Commentary from Q2 2024 stock-exchange announcement (page 3):

For the full year 2024, GSK does not anticipate any further COVID-19 pandemic-related sales or operating profit. Consequently, and in comparison to 2023, it is anticipated that the full year growth in sales and Core operating profit will be adversely impacted by one and two percentage points, respectively.

Impact of COVID-19 solutions on Q3 2023 Core results

Q3 2023	Reported	COVID-19 solutions contribution (£m)	COVID-19 solutions contribution (%)	Excluding COVID-19 solutions
Turnover (£m)	8,147	1	0.0%	8,146
Core operating profit (£m)	2,772	(4)	-0.1%	2,776
Core EPS (p)	50.4	(0.1)	-0.2%	50.5

Note that in Q3 2023 COVID-19 solutions sales totalled £1m from pandemic vaccines.

Commentary on Q2 results call relating to 2024 phasing

I am confident in our underlying business momentum, but obviously, the second-half growth rates are very different from the first, with the second half significantly impacted by the very strong launches of Arexvy and in Oncology last year, as well as initial stock builds. In addition, Gardasil was stronger in H2 LY, which will impact our profit growth in this upcoming second half.

Zantac litigation – settlement agreements

Commentary from 09 October 2024 stock-exchange announcement:

GSK expects to recognise an incremental charge in its Q3 Results for 2024 of £1.8 billion (\$2.3 billion) in relation to the State Courts Settlement, the Qui Tam Settlement, and the remaining 7% of pending state court product liability cases, partially offset by expected reduced future legal costs.

Turnover (excluding COVID-19 solutions)

2024 full-year guidance: Increase between 7% to 9% at CER (H1 +13%).

Vaccines

2024 full-year outlook: Increase low to mid-single digit % in turnover at CER (H1 +12%).

Shingrix

Commentary at Q2 2024:

- Globally, *Shingrix* grew 7% year-to-date but was down 4% in the quarter, delivering £832 million.
- Outside the US, sales grew significantly and represented 64% of Q2 revenue. *Shingrix* has now launched in 45 markets, the majority with less than 5% penetration, and these markets represent our source of future growth for this vaccine. Q2 growth was driven by a national immunisation programme in Australia, expanded European public funding, and supply to China. Supply phasing to China is now expected to be delivered evenly across the second half, with 40% of our agreed full-year supply delivered to date.
- In the US, sales decreased by 36% in the quarter due to three factors:
 - the first, channel inventory reductions, and
 - secondly, important changes in retail vaccine prioritisation in part due to a transition to a new CMS rule effective 1 Jan 2024 that changed how pharmacies process reimbursements from payers. These two short-term effects are not expected to repeat in the second half of this year.
 - Thirdly, lower demand driven by challenges activating harder-to-reach consumers. Addressing this remains a priority, with cumulative penetration of people aged 50 and older reaching 37%, up 6 points since the same time in 2023 based on latest census data. More than 70 million adults are still unvaccinated and recommended to receive our vaccine, and we are focusing resources and marketing content on targeting these eligible consumers.
- Our expectation continues to be that *Shingrix* global sales will grow this year and reach more than £4 billion by 2026, driven by growth outside the US.

Considerations for 2024: In October 2023, we announced a deal with Zhifei to co-promote *Shingrix* in China [GSK and Zhifei announce exclusive strategic vaccine partnership in China | GSK](#). Subject to the terms of the agreement, Zhifei will purchase agreed volumes of *Shingrix* with a value to GSK of £2.5 billion

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in total over the initial three-year period. Under the agreement there is an agreed procurement minimum of ~£0.4bn in 2024.

Comment on 2023 *Shingrix* sales in China: Please note that 2023 sales were £0.2bn.

Arexvy

Commentary at Q2 2024: sales are expected to be second-half weighted, with the vast majority in the US. Following the recent ACIP recommendation, we received a universal recommendation in 75 plus year olds, but we now expect minimal sales in the 50–59 age group this year, with further potential impact in those aged 60–74. Preparation for launches in Europe and International are underway for 2025 and beyond. With a best-in-class data profile, we are confident *Arexvy* will return to growth next year and longer term can achieve more than £3 billion in peak-year sales.

Commentary on ACIP meeting June 2024: [Statement: US Centers for Disease Control and Prevention's Advisory Committee on Immunisation Practices updates recommendations on adult RSV vaccines ahead of the next season | GSK](#)

Commentary on 2023 *Arexvy* sales in US: In Q3 we mentioned two thirds of the sales were stocking going into the channel, together with about 20% towards the end of the year so there is a very significant first half/second half impact with Vaccines.

RSV activity in the US is tracked by the CDC. [Interactive Dashboard | NREVSS | CDC](#)

Influenza

[GSK begins shipping influenza vaccine doses for 2024-25 season | GSK US](#)

[GSK is first to ship influenza vaccine doses for the 2023-24 flu season in US | GSK US](#)

Meningitis

Commentary at Q3 2023: *Bexsero* Q3 23 sales were flat while *Bexsero* grew in Europe in the quarter, the US declined as a result of CDC purchasing patterns and lower demand leaving performance flat.

Established Vaccines

Commentary at Q3 2023: Established Vaccines Q3 23 performance was driven by resupply of MMR/V vaccines in Europe and positive phasing for *Synflorix* in International, partly offset by increased competition in the US and constrained supply in Europe for *Infanrix/Pediarix*.

COVID immunisation progress in the US is tracked by the CDC. For US COVID vaccine demographics, including adoption by age, you can visit:

<https://covid.cdc.gov/covid-data-tracker/#vaccination-demographic>

Specialty Medicines

2024 full-year outlook: Increase mid to high teens % in turnover at CER (H1 +21%).

HIV

2024 full-year outlook: Increase low double-digit % at CER (H1 +14%).

Oncology

Commentary at Q2 2024: In oncology, sales again more than doubled in the quarter.

In haematology, we're continuing to see strong uptake for *Ojjaara* which launched in the US last year and in the UK and Germany in Q1.

In gynaecological cancers, *Jemperli*'s continued momentum was primarily driven by sales in the US, Germany, France and the UK in first-line dMMR/MSI-H primary advanced or recurrent endometrial cancer. In addition to growth from second-line and later treatment. *Jemperli* is the backbone of our immuno-oncology development, and pending regulatory decisions and development beyond dMMR-driven tumours will drive future growth.

Zejula's growth continued in Q2, driven by the US and volume growth globally. As a reminder, from next quarter we will not benefit from the stocking of, or the switch to, the new tablet formulation as seen in Q3 2023.

General Medicines

2024 full-year outlook: Increase low to mid-single digit % in turnover at CER (H1 +6%).

Commentary at Q2 2024: General Medicines grew 12% in Q2, reflecting a record quarter for *Trelegy*, with sales increasing 41% to £842 million. Around half of the growth was driven by channel and segment mix as well as adjustments to returns and rebates, which are expected to moderate in H2. *Trelegy* also benefitted from share gains and remains the top-selling brand in asthma and COPD, and is the most prescribed single-inhaler triple therapy worldwide. Removal of the AMP Cap on Medicaid drug prices in the US had the expected impact on branded versions of *Advair*, *Flovent* and *Lamictal*. However, increased use of authorised generic versions of *Advair* and *Flovent* offset this impact in the quarter

Commentary at Q3 2023: Performance in the quarter was adversely impacted by the US market through RAR adjustments, largely impacting the Established Respiratory portfolio. Unfavourable RAR adjustments contributed 6 percentage points of decline in Q3 23 and 3 percentage points YTD.

Note: On 1 January 2024, GSK cut the list prices by up to 70% on *Advair*, up to 48% on *Lamictal* and 10% for *Valtrex*. Effective 1 January 2024, GSK discontinued manufacturing branded *Flovent* HFA (all strengths) and branded *Flovent Diskus* (all strengths) for the US market. We launched an authorised generic for *Flovent* HFA (inhalation aerosol) in May 2022 and for *Flovent Diskus* (inhalation powder) in October 2023.

Financials (Core)

Operating profit (excluding COVID-19 solutions)

2024 full-year guidance: Core operating profit is expected to increase between 11% to 13% at CER (H1 +28%).

Commentary at Q2 2024: Core Operating profit is now expected to grow between 11 to 13 per cent at CER (previously 9 to 11 per cent increase), despite a 6 percentage point impact to Operating Profit growth following the loss of the majority of Gardasil royalties effective from the beginning of 2024. SG&A is expected to grow low-single digits, with effective cost control driving operating leverage and further margin improvements. R&D expenditure is expected to increase slightly below sales growth and for royalty income to be around £600 million for the full year.

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Cost of goods sold

2024 full-year outlook: GSK continues to expect to deliver leverage at a gross margin level due to improved product mix from Vaccines and Specialty Medicines growth and continued operational efficiencies.

Commentary on H2 outlook at Q2 2024: The GM has been strong in the first half. In the second half, we expect to incur costs to drive future supply chain efficiencies, as well as lower positive mix benefits given the phasing of the launches last year.

SG&A

2024 full-year outlook: Anticipated to increase low single-digit per cent at CER.

Commentary at Q2 2024: In the quarter and year to date, Core SG&A improved as a percentage of sales due to continued disciplined investment to support global market expansion and disease awareness particularly for Arexvy and investment behind long-acting HIV medicines. The year to date growth was partly offset by a 2 percentage point favourable impact of the reversal of the legal provision taken in Q1 2023 for the *Zejula* royalty dispute, following a successful appeal. Total SG&A growth also included an increase in Significant legal costs reflecting prospective legal fees for the defence of the litigation relating to *Zantac*.

R&D

2024 full-year outlook: Expected to increase slightly below sales growth.

Royalty income

2024 full-year outlook: Expected to be around £600 million, with minimal Gardasil royalties.

The two largest remaining royalty streams are Biktarvy (3% royalty on US sales until October 2027) and Kesimpta (tiered royalties up to 12%).

In £ millions	Q1 2023	Q2 2023	Q3 2023	Q4 2023	FY 2023	Q1 2024	Q2 2024
Gardasil	71	132	189	80	472	22	12
Other	109	94	123	155	481	129	132
Total	180	226	312	235	953	151	144
Gardasil share	39%	58%	61%	34%	50%	15%	8%

Associates

2024 full-year outlook: Expected to be negligible.

Net Interest payable (Core)

2024 full-year outlook: lower than 2023 (£669m) at CER.

In £ millions	Q1	Q2	Q3	Q4	Full year
2023	(170)	(152)	(156)	(191)	(669)
2024	(132)	(148)			lower than 2023

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Tax

2024 full-year outlook: Core tax rate expected to be around 17% (2023 15.5%).

2024 consideration: GSK continues to anticipate an increase in the Core effective tax rate to around 17% following implementation of a global minimum corporate income tax rate aligned with the Organisation for Economic Cooperation and Development 'Pillar 2' initiative.

Core Tax rate	Q1	Q2	Q3	Q4	Full year
2023	15.8%	15.6%	15.4%	15.1%	15.5%
2024	17.5%	17.9%			around 17%

Non-Controlling interests (Core)

In £ millions	Q1 2023	Q2 2023	Q3 2023	Q4 2023	FY 2023	Q1 2024	Q2 2024
ViiV	120	136	156	154	566	147	161
Other	1	(6)	13	(2)	6	7	9
Total	121	130	169	152	572	154	170

Core EPS

2024 full-year outlook: Expected to increase between 10% to 12% at CER.

Dividend

The expected dividend for 2024 is 60p.

Dividend per share (p)	Q1	Q2	Q3	Q4	Full year
2023 - paid	14.0	14.0	14.0	16.0	58.0
2024 - expected	15.0	15.0			60.0 ¹

¹The actual dividend amount is determined by the Board of Directors with the FY 2024 results.

To illustrate underlying performance, it is the Group's practice to discuss its results in terms of CER growth. This represents growth calculated as if the exchange rates used to determine the results of overseas companies in Sterling had remained unchanged from those used in the comparative period. All commentaries are presented in terms of CER growth unless otherwise stated.

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